Malawi

Sheila Page

Overseas Development Institute
London

February 2004

A study funded by Department for International Development, UK, under contract CNTR 03 4777

Contents

7.1 Introduction **3**
7.2 Trade **3**
7.3 Trade and poverty **4**

7. The Poverty Impact of Doha: Malawi

Sheila Page

7.1 Introduction

Although Malawi is not one of the countries to be studied for this project, there has been some work on it at ODI in other contexts in the last three months, and some conclusions are relevant to this study.

7.2 Trade

Malawi is the country identified as most vulnerable to preference erosion in studies of low income African countries (ILEAP, 2003) and all Least Developed (IMF, preference erosion, 2003). This is the result of its two principal exports: tobacco (where there is a high preference margin) and sugar (under quotas at high prices both as ACP and as least developed) to the EU. It has preferential arrangements for almost all its other exports: to the US under AGOA; to the EU under both ACP and EBA arrangements; to other developed countries under GSP; to its region under COMESA and SADC. It therefore has effectively nothing to gain on access, and a high risk of losing if sugar and tobacco are liberalised. It is building up its exports of cotton and textiles under AGOA, and could be further damaged if these preferences were eroded. Its principal requests (Malawi 2003) on 'access' were therefore to preserve preferences where possible, and for compensation for any loss. It could benefit from compensation of the type proposed by the IMF. It would not benefit from improved access to the G20.

Its current regimes for financial and communication services, and for some business services, are effectively open to foreign suppliers, so that it could make a strong services offer. It has had the same requests from the same countries that Zambia has had (see above), and would probably have no difficulty in acceding to all of them. It is likely to make requests of some of its neighbours on some services, but its principal interest is on Mode 4. At present, it seems unlikely that developing countries will be successful in securing more open access to developed countries on this. Therefore it is not clear that it has any feasible negotiating bargain in services.

It has high and increasing mortality rates, of all age groups, and not only because of HIV-AIDS and malaria (although both are burdens): it has also has increasing peri-natal mortality, of children and women, because of lack of medical care. It therefore has a strong interest in affordable medicines and medical care which will be only partly met by any concessions on the cost of some pharmaceuticals. A broader initiative to increase aid for health services might be more beneficial for it than the recent concentration on the question of licensing of medicines.

It is landlocked, with under-financed, under-capitalised and under-trained customs and other trade services. It would be beneficial to its trade if there were assistance for these, but there are other priorities in trade infrastructure: domestic roads and the road and rail lines through Mozambique, its nearest outlet to the sea. Therefore, while it has cited infrastructure as an appropriate target for any spending permitted by compensation for loss of preferences, this would not necessarily be in the direction of regulatory Trade Facilitation. It could benefit from the extended assistance to improve trade performance suggested by the World Bank. It does clearly need more funding to improve all aspects of its production, and if this were increased in compensation for its loss of preferences, this would enable it to use the trading opportunities which it already has and eventually replace those which it may lose.

It is not yet taking advantage of the participation opportunities in the WTO which are open. It does not have representation in Geneva and does not have effective ways of following the negotiating issues. At Cancún, however, it had a delegation of more than 30 people, including not only the Minister and senior officials in Commerce and Industry, but senior officials from the Agriculture, Health, and Planning ministries and representatives of industrial and agricultural organisations and of the principal export sectors, tobacco and sugar. It therefore was able to use the procedures for considering proposals and making responses within the groups of which it was a member (including Africa, Least Developed, ACP, land locked, and sugar producers). The drafts on which it worked, like the others that emerged from the meeting, were not used in the Chair's draft, so that it shared the disillusion with the procedures.

7.3 Trade and poverty

In a report for the Africa Trade and Poverty Programme (Chirwa, 2004), it is argued that shifting production from agriculture to non-agriculture is most likely to reduce poverty in Malawi. A reduction in the preferences which have led it to concentrate on tobacco and sugar could therefore allow poverty reduction, provided it was accompanied by adequate compensation so that its net external revenue and national income did not fall.